

BUSINESS SITUATION

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THE pace of economic activity slowed again in the fourth quarter of 2000, according to the "advance" estimates of the national income and product accounts (NIPA's).

- Real gross domestic product (GDP)—a measure of domestic production of goods and services—increased 1.4 percent after increasing 2.2 percent in the third quarter and 5.6 percent in the second (table 1 and chart 1).¹

1. Quarterly estimates in the NIPA's are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters; real estimates are expressed both as index numbers (1996=100) and as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

- Gross domestic purchases—a measure of domestic demand for goods and services regardless of where they were produced—increased 1.9 percent after increasing 3.0 percent in the third quarter and 6.5 percent in the second.

- Growth of real disposable personal income also slowed, to 0.5 percent from 2.6 percent in the third quarter and 3.7 percent in the second; Federal farm subsidies boosted income growth in the third quarter and reduced it in the fourth.

Inflation remained moderate. The price index for gross domestic purchases increased 1.9 percent in the fourth quarter, about the same as in the two preceding quarters.

The smaller fourth-quarter increase in domes-

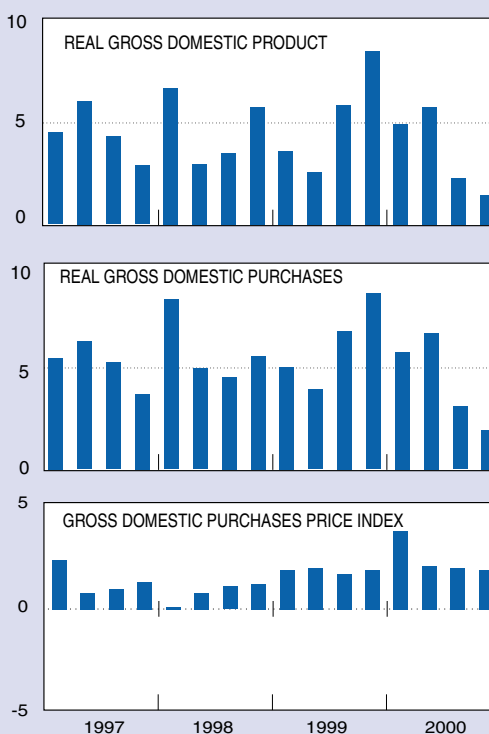
Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

	Billions of chained (1996) dollars						Percent change from preceding period					
	Change from preceding period						1999	2000	2000			
	1999	2000	2000						I	II	III	IV
			I	II	III	IV						
Gross domestic product	360.1	444.6	107.7	127.1	50.6	32.0	4.2	5.0	4.8	5.6	2.2	1.4
Less: Exports of goods and services	29.4	94.9	16.4	37.0	37.0	-12.6	2.9	9.2	6.3	14.3	13.9	-4.3
Plus: Imports of goods and services	130.7	185.1	40.8	63.5	61.2	2.0	10.7	13.7	12.0	18.6	17.0	.5
Equals: Gross domestic purchases	451.2	524.7	129.5	150.7	71.7	45.4	5.2	5.7	5.6	6.5	3.0	1.9
Less: Change in private inventories	-34.9	18.4	-44.3	42.0	-6.1	-5.4	.....	.....	.....	.....	.....	.....
Nonfarm	-33.8	13.9	-40.0	39.3	-4.9	-5.0	.....	.....	.....	.....	.....	.....
Farm	-1.2	4.9	-4.3	2.6	-1.2	-3	.....	.....	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	483.1	503.4	169.5	110.6	76.8	49.7	5.6	5.5	7.5	4.7	3.2	2.1
Personal consumption expenditures	300.1	315.8	112.5	47.1	69.2	44.8	5.3	5.3	7.6	3.1	4.5	2.9
Durable goods	90.5	78.1	46.4	-11.5	16.5	-7.7	12.4	9.6	23.6	-5.0	7.6	-3.4
Nondurable goods	94.6	89.3	26.7	16.3	21.5	3.7	5.6	5.0	6.0	3.6	4.7	.8
Services	121.4	153.8	44.2	39.5	32.6	46.0	3.7	4.5	5.2	4.6	3.7	5.3
Private fixed investment	136.1	149.5	64.3	46.7	13.7	-7.6	9.2	9.2	16.4	11.2	3.1	-1.7
Nonresidential	115.0	157.2	63.5	47.2	26.3	-5.2	10.1	12.5	21.0	14.6	7.7	-1.5
Structures	-3.8	23.5	13.4	3.0	9.6	6.5	-1.4	9.1	22.3	4.4	14.6	9.3
Equipment and software	124.1	136.4	50.3	46.2	15.8	-13.8	14.1	13.6	20.6	17.9	5.6	-4.7
Residential	22.2	-1.7	2.9	1.2	-10.3	-2.3	6.4	-5	3.2	1.3	-10.6	-2.5
Government consumption expenditures and gross investment	49.7	43.1	-4.4	18.6	-5.5	11.4	3.3	2.8	-1.1	4.8	-1.4	2.9
Federal	13.2	8.3	-21.0	21.7	-13.0	6.1	2.5	1.5	-14.2	17.2	-9.0	4.6
National defense	6.8	.8	-19.4	13.6	-8.9	8.5	2.0	-2	-19.8	16.9	-9.7	10.2
Nondefense	6.3	7.4	-1.7	8.2	-4.2	-2.3	3.4	3.8	-3.3	17.8	-7.9	-4.5
State and local	36.4	34.7	16.2	-2.8	7.3	5.2	3.8	3.5	6.6	-1.1	2.9	2.1
Addendum: Final sales of domestic product	391.7	423.5	147.5	87.3	55.6	36.4	4.6	4.8	6.7	3.9	2.4	1.6

NOTE.—Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See "Selected NIPA Tables," which begins on page D-2 in this issue.)

CHART 1

Selected Measures: Change From Preceding Quarter



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

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tic production than in domestic demand mainly reflected a decrease in exports; a small increase in imports also played a role.²

The increase in domestic demand reflected increases in consumer spending (mainly for services) and government spending (table 2). These increases were partly offset by decreases in nonresidential fixed investment, private inventory invest-

ment, and residential investment.³

The fourth-quarter deceleration in domestic demand, to 1.9 percent from 3.0 percent, reflected downturns in nonresidential investment and consumer spending for goods. These drags on demand growth were partly offset by an upturn in Federal Government spending and a step-up in consumer spending for services.

2. Exports are included in the production measure (GDP) but not in the demand measure (gross domestic purchases); imports are included in the demand measure but not in the production measure.

3. In the NIPAs, consumer spending is shown as personal consumption expenditures, government spending is shown as government consumption expenditures and gross investment, and inventory investment is shown as change in private inventories.

Advance GDP Estimate for the Fourth Quarter of 2000 : Source Data and Assumptions

The "advance" GDP estimate for the fourth quarter is based on preliminary and incomplete source data; as more and better data become available, the estimate will be revised. The advance estimate is based on the following major source data. (The number of months for which data were available is shown in parentheses.)

Personal consumption expenditures: Sales of retail stores (3) and unit auto and truck sales (3);

Nonresidential fixed investment: Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment other than aircraft (3), shipments of civilian aircraft (2), and exports and imports of machinery and equipment (2);

Residential investment: Construction put in place (2) and single-family housing starts (3);

Change in private inventories: Manufacturing and trade

inventories (2) and unit auto and truck inventories (3);

Net exports of goods and services: Exports and imports of goods and services (2);

Government consumption expenditures and gross investment: Some Federal outlays were available for 3 months, others, for 2 months; State and local construction put in place (2); State and local employment (3); and the employment cost index for the quarter;

GDP prices: Consumer price index (3), producer price index (3), U.S. import and export price indexes (3), and values and quantities of petroleum imports (2).

BEA made assumptions for source data that were not available. Table A shows the assumptions for key series; a more comprehensive list is available from BEA's Web site at <www.bea.doc.gov> and from STAT-USA's Web site at <www.stat-usa.gov>.

Table A.—Summary of Major Data Assumptions for Advance Estimates, 2000:IV

[Billions of dollars, seasonally adjusted at annual rates]

	2000					
	July	August	September	October	November	December ¹
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place	216.0	219.5	222.7	224.7	227.5	222.0
Equipment and software:						
Manufacturers' shipments of complete civilian aircraft	38.3	43.6	39.1	34.9	34.2	26.7
Residential structures:						
Value of new residential construction put in place:						
1-unit structures	227.9	227.1	225.9	225.6	226.2	228.3
2-or-more-unit structures	26.5	26.8	26.6	27.9	28.7	29.1
Change in private inventories, nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade	64.9	67.0	28.7	80.1	52.9	37.6
Net exports: ²						
Exports of goods:						
U.S. exports of goods, balance-of-payments basis	781.2	815.7	814.0	796.2	788.0	796.6
Excluding nonmonetary gold	778.5	811.8	807.9	790.5	781.3	789.4
Imports of goods:						
U.S. imports of goods, balance-of-payments basis	1,243.4	1,255.9	1,286.0	1,274.8	1,256.0	1,258.7
Excluding nonmonetary gold	1,241.0	1,252.6	1,279.0	1,268.4	1,248.9	1,251.5
Net exports of goods (exports less imports)	-462.3	-440.2	-471.9	-478.7	-468.0	-462.2
Excluding nonmonetary gold	-462.5	-440.8	-471.1	-477.9	-467.6	-462.2
Government consumption expenditures and gross investment:						
State and local:						
Structures:						
Value of new construction put in place	161.7	170.3	174.9	172.0	169.8	170.6

1. Assumed.

2. Nonmonetary gold is included in balance-of-payments-basis exports and imports but is not used directly in the estimation of NIPA exports and imports.

Motor vehicles.—Real motor vehicle output decreased 24.4 percent in the fourth quarter after decreasing 16.9 percent in the third (table 3).⁴ Auto output decreased for the fourth consecutive quarter, and truck output decreased for the second consecutive quarter. Final sales of motor vehicles to domestic purchasers decreased after increasing slightly.

Purchases of motor vehicles by consumers decreased 15.0 percent. Several factors were less favorable to consumer spending than in the third quarter, including the slowdown in real income and a drop in consumer confidence (as measured by the Index of Consumer Sentiment prepared by the University of Michigan's Survey Research Center) to its lowest level in 2 years. The unemployment rate remained low, at 4.0 percent.

Motor-vehicle prices decreased as manufacturers responded to weakening consumer sales by extending rebates and below-market financing to a broader selection of auto and truck models. Interest rates on new-car loans made by commercial banks changed little.

Purchases of motor vehicles by businesses decreased considerably more than in the third quarter.

Imports of motor vehicles decreased after in-

Table 2.—Contributions to Percent Change in Real Gross Domestic Product

[Quarterly estimates seasonally adjusted at annual rates]

	1999	2000	2000			
			I	II	III	IV
Percent change at annual rate:						
Gross domestic product	4.2	5.0	4.8	5.6	2.2	1.4
Percentage points at annual rates:						
Personal consumption						
expenditures	3.52	3.57	5.03	2.14	2.99	1.92
Durable goods .....	.96	.77	1.79	-.42	.61	-.28
Nondurable goods	1.10	1.00	1.19	.74	.93	.16
Services	1.46	1.79	2.04	1.83	1.46	2.04
Gross private domestic investment	1.15	1.82	.92	3.66	.33	-.49
Fixed investment	1.53	1.58	2.68	1.93	.55	-.30
Nonresidential	1.26	1.60	2.54	1.87	1.02	-.20
Structures	-.05	.28	.63	.14	.44	.30
Equipment and software	1.30	1.32	1.91	1.73	.58	-.50
Residential .....	.27	-.02	.14	.06	-.47	-.10
Change in private inventories	-.37	.24	-1.76	1.73	-.22	-.18
Net exports of goods and services	-1.03	-.87	-.94	-1.00	-.90	-.56
Exports .....	.32	.98	.67	1.48	1.45	-.49
Goods .....	.30	.89	.46	1.37	1.54	-.50
Services .....	.02	.09	.21	.11	-.09	.01
Imports	-1.35	-1.85	-1.61	-2.48	-2.35	-.07
Goods	-1.32	-1.60	-1.28	-2.26	-1.90	.05
Services	-.04	-.24	-.33	-.22	-.44	-.13
Government consumption expenditures and gross investment .....	.59	.50	-.18	.85	-.24	.50
Federal .....	.16	.09	-.93	.97	-.57	.27
National defense .....	.08	.01	-.86	.60	-.38	.37
Nondefense .....	.08	.08	-.07	.37	-.18	-.10
State and local .....	.43	.40	.75	-.12	.33	.24

NOTE.—More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

Table 3.—Motor Vehicle Output, Sales, and Inventory Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				2000			
		2000				2000			
	IV	I	II	III	IV	I	II	III	IV
Output	316.1	0.3	-4.1	-16.1	-23.0	0.3	-4.5	-16.9	-24.4
Autos	105.0	-.2	-9.0	-3.4	-13.6	-.4	-24.8	-10.9	-38.5
Trucks	210.5	.4	4.7	-12.6	-9.4	.7	8.5	-19.9	-16.1
Less: Exports	24.9	.5	.4	-1.1	-.4	8.0	5.9	-15.7	-6.7
Autos	15.9	.1	.3	-.8	0	3.9	7.0	-17.2	.1
Trucks	9.0	.3	.1	-.3	-.4	15.1	4.0	-13.0	-17.0
Plus: Imports	128.6	3.3	.1	6.7	-.4	11.7	.4	23.5	-1.2
Autos	113.2	3.0	2.4	6.8	2.5	12.7	9.7	28.7	9.4
Trucks	15.5	.3	-2.2	-.1	-2.9	7.0	-36.6	-2.2	-48.9
Equals: Gross domestic purchases	420.9	3.2	-4.4	-8.1	-22.7	2.8	-3.8	-6.9	-19.0
Autos	203.7	2.8	-6.7	4.3	-10.8	5.4	-11.8	8.5	-18.7
Trucks	217.1	.3	2.3	-12.3	-11.9	.7	3.9	-18.9	-19.3
Less: Change in private inventories	10.4	-16.4	16.7	-8.3	4.0				
Autos	6.4	-4.3	1.9	6.6	-2.5				
Trucks	3.9	-11.2	13.3	-13.0	5.7				
Equals: Final sales to domestic purchasers	410.1	20.5	-21.9	.7	-27.7	20.1	-17.8	.6	-22.6
Autos	197.3	7.1	-8.7	-2.2	-8.4	14.2	-15.1	-4.1	-15.3
Trucks	212.8	13.4	-13.2	2.8	-18.7	25.5	-20.1	5.0	-28.6
Addenda:									
Personal consumption expenditures	259.3	17.4	-13.0	4.7	-10.7	29.5	-17.4	7.3	-15.0
Private fixed investment	137.8	4.4	-8.0	-4.4	-16.6	11.4	-17.8	-10.6	-36.6
Gross government investment	13.0	-1.3	-.9	.4	.1	-31.6	-23.9	11.8	5.3

NOTE.—See note to table 1 for an explanation of chained (1996) dollars. Truck output includes new trucks only; auto output includes new cars and used cars. Chained (1996) dollar levels for motor vehicle output, auto and truck output, are in NIPA tables 1.4 and 8.9B, along with residuals, which measure the extent of nonadditivity in each table. Nonadditivity results from changes in

relative prices: The price of trucks rose relative to the price of autos in the second and third quarters and fell in the fourth. The nonadditivity is more pronounced for "real change in private inventories" largely because the "change" is derived from real stocks of inventories and reflects the nonadditivity in these much larger stock estimates.

creasing substantially. Exports decreased less than in the third quarter.

Motor vehicles inventories increased in the fourth quarter. The increase reflected a swing from liquidation to accumulation in truck inventories; accumulation of auto inventories slowed. The inventory-sales ratio for new domestic autos, which is calculated from units data, increased to 2.9 at the end of the fourth quarter from 2.5 at the end of the third; the traditional industry target is 2.4.

Prices

The price index for gross domestic purchases increased 1.9 percent in the fourth quarter, about the same as in the third (table 4). Prices of gross domestic purchases less food and energy increased 1.6 percent, also about the same as in the third quarter (chart 2).

Prices of personal consumption expenditures (PCE) increased 2.2 percent after increasing 1.8

percent. Prices of food and of energy goods and services increased less than in the third quarter.⁵ The deceleration in food prices reflected downturns and slowdowns in the prices of most food categories. The deceleration in energy prices reflected a slowdown in prices of electricity and gas and a downturn in prices of gasoline and oil. Prices of PCE less food and energy increased 2.0 percent after increasing 1.1 percent; the step-up was led by upturns in prices of "other services" (which includes brokerage and investment counseling), of clothing and shoes, and of motor vehicles and parts.

Prices of private nonresidential fixed investment decreased 0.2 percent after increasing 1.8 percent. The downturn partly reflected a downturn in software prices.

Prices of government consumption expenditures and gross investment increased 2.5 percent after increasing 2.9 percent. Prices paid by the Federal Government accounted for most of the slowdown.

The GDP price index increased 2.1 percent after increasing 1.6 percent. The GDP price index, unlike the price index for gross domestic purchases, includes the prices of exports and excludes the prices of imports. Export prices increased 0.6 percent after increasing 0.7 percent. Import prices edged down after a 3.8-percent increase; the downturn reflected a sharp slowdown in prices of

5. "Energy goods and services" consists of gasoline, fuel oil, and other energy goods and of electricity and gas.

Table 4.—Price Indexes

[Percent change at annual rates; quarterly estimates based on seasonally adjusted index numbers (1996=100)]

	1999	2000	2000			
			I	II	III	IV
Gross domestic product	1.5	2.1	3.3	2.4	1.6	2.1
Less: Exports of goods and services	-.4	1.7	1.9	1.9	.7	.6
Plus: Imports of goods and services .....	.6	4.0	5.6	.2	3.8	-.1
Equals: Gross domestic purchases	1.6	2.4	3.8	2.1	2.0	1.9
Less: Change in private inventories .....	.....	.....	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	1.6	2.4	3.8	2.1	2.0	1.9
Personal consumption expenditures	1.8	2.4	3.5	2.1	1.8	2.2
Durable goods	-2.4	-1.6	-2.0	-6	-2.3	-7
Nondurable goods	2.3	3.7	5.4	3.3	2.2	1.9
Services	2.4	2.6	3.7	2.0	2.5	2.9
Private fixed investment	-.1	1.2	2.6	1.9	2.0	.5
Nonresidential	-1.3	.5	1.8	1.6	1.8	-.2
Structures	2.3	3.9	4.7	3.7	5.0	4.6
Equipment and software	-2.5	-.5	.9	1.0	.8	-1.7
Residential	3.8	3.5	5.2	2.6	2.7	3.1
Government consumption expenditures and gross investment	2.6	3.8	6.4	2.7	2.9	2.5
Federal	2.6	3.1	7.7	.6	2.6	1.4
National defense	2.5	3.1	7.1	.8	2.9	1.4
Nondefense	2.8	3.2	8.9	.4	2.1	1.3
State and local	2.7	4.1	5.7	3.8	3.1	3.0
Addenda:						
Gross domestic purchases:						
Food	1.9	2.3	2.3	2.3	3.5	1.8
Energy	4.2	18.8	37.7	11.2	11.1	8.4
Less food and energy	1.4	1.8	2.8	1.7	1.5	1.6
Personal consumption expenditures:						
Food	2.0	2.4	2.4	2.3	3.7	1.7
Energy goods and services ¹	3.9	17.8	35.1	13.0	8.6	7.0
Less food and energy	1.6	1.6	2.2	1.4	1.1	2.0

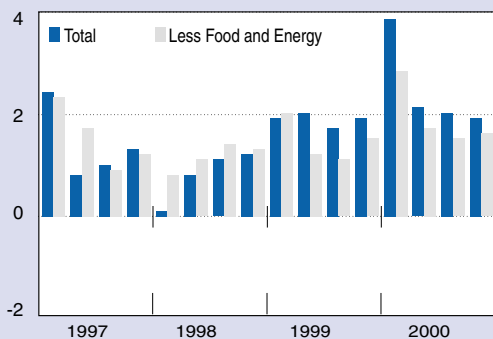
1. Consists of gasoline, fuel oil, and other energy goods, and of electricity and gas.

NOTE.—Percent changes in major aggregates are shown in NIPA table 8.1. Index numbers are shown in tables 7.1, 7.2, and 7.4.

CHART 2

Gross Domestic Purchases Prices: Change From Preceding Quarter

Percent



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1996=100).

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petroleum imports and a dip in the prices of non-petroleum imports.

Personal income

Real disposable personal income (DPI) slowed to a 0.5-percent increase in the fourth quarter after increasing 2.6 percent in the third (chart 3). The deceleration reflected a slowdown in current-dollar DPI—to a 2.6-percent increase from a 4.4-percent increase. The slowdown largely reflected the pattern of Federal farm subsidy payments authorized by the Agricultural Risk Protection Act of 2000; excluding these subsidies, current-dollar DPI increased 3.6 percent after increasing 3.5 percent.

The personal saving rate (saving as a percentage of current-dollar DPI) continued its downtrend, reaching -0.8 percent in the fourth quarter, its lowest quarterly level since the beginning of the se-

ries in 1946. A negative saving rate indicates that outlays are being financed by the sale of assets or by borrowing. At the beginning of 1996, the saving rate was 5.1 percent. The decline since then has not been surprising in light of the large gains in household wealth and the increased willingness of consumers to finance outlays with debt. Despite the weakness in the stock market in the last year, the value of household holdings of corporate equities and mutual fund shares in late 2000 was more than double their level at the beginning of 1996. Increases in debt in the last four quarters for which

Table 5.—Personal Income and Its Disposition

[Billions of dollars; quarterly estimates seasonally adjusted at annual rates]

	Level		Change from preceding period					
	2000	2000	1999	2000	2000			
		IV			I	II	III	IV
Wage and salary disbursements	4,769.7	4,873.5	279.3	299.7	82.1	79.7	64.8	68.6
Private industries	4,008.7	4,104.8	247.6	263.1	66.7	69.5	59.5	65.3
Goods-producing industries	1,153.2	1,173.3	50.6	64.0	19.7	16.2	14.3	11.9
Manufacturing	816.0	826.7	25.8	33.6	7.7	10.3	8.3	5.3
Distributive industries	1,107.1	1,143.5	71.2	86.8	21.5	24.8	22.4	25.4
Service industries	1,748.5	1,788.0	125.7	112.5	25.4	28.6	22.9	27.9
Government	761.0	768.7	31.7	36.6	15.4	10.3	5.2	3.3
Other labor income	524.0	534.1	15.5	23.0	6.6	6.5	7.1	6.5
Proprietors' income with IVA and CCAAdj	710.5	713.8	42.8	47.0	4.3	15.6	15.3	-11.0
Farm	22.6	18.0	-1	-2.7	-12.6	2.4	10.2	-13.7
Nonfarm	687.9	695.8	43.0	49.7	16.9	13.3	5.0	2.7
Rental income of persons with CCAAdj	140.4	136.9	8.0	-3.0	-6	-4.8	-2.7	-1.2
Personal dividend income	396.6	407.2	19.2	26.3	6.7	5.7	7.1	7.5
Personal interest income	1,033.7	1,049.2	22.9	70.0	22.6	19.7	11.6	6.3
Transfer payments to persons	1,067.5	1,082.7	33.2	51.3	19.5	19.2	8.1	8.5
Less: Personal contributions for social insurance	360.7	367.7	22.3	22.2	7.5	5.4	4.3	4.6
Personal income	8,281.7	8,429.8	398.6	492.1	133.5	136.3	106.9	80.8
Less: Personal tax and nontax payments	1,291.9	1,343.1	81.1	139.9	42.0	37.9	30.9	35.0
Equals: Disposable personal income	6,989.8	7,086.7	317.7	352.1	91.5	98.4	76.0	45.8
Less: Personal outlays	6,999.8	7,144.4	435.4	509.7	181.5	88.7	110.4	89.7
Equals: Personal saving	-10.0	-57.7	-117.8	-157.6	-90.0	9.6	-34.4	-43.9
Addenda: Special factors in personal income:								
In wages and salaries:								
Federal pay raise		7.8			7.0	0	.8	0
Federal civilian retirement buyout payments		0			.1	0	-1	0
In farm proprietors' income:								
Federal subsidies ¹		2.9			-13.0	.4	13.0	-14.3
In rental income of persons with CCAAdj:								
Federal subsidies ¹ .....		.7			-2.8	0	2.9	-3.1
In transfer payments to persons:								
Elimination of social security earnings test		0			0	9.2	-9.2	0
Social security retroactive payments		1.1			-1.2	0	.6	.5
Cost-of-living adjustments in Federal transfer programs		11.0			10.4	0	0	.2
In personal tax and nontax payments:								
Federal tax law changes		-5.8			-5.4	0	0	-4
Refunds and State tax law changes		-1.1			-3.1	1.9	-5	2.7

1. Payments authorized by the Agricultural Risk Protection Act of 2000.

NOTE.—Most dollar levels are in NIPA table 2.1.

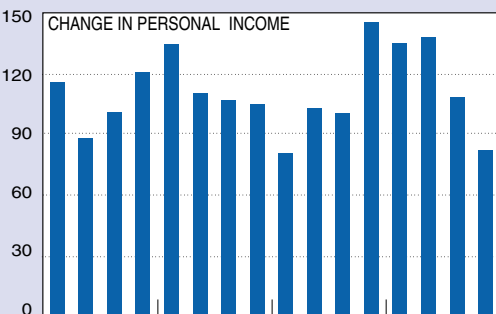
IVA Inventory valuation adjustment

CCAAdj Capital consumption adjustment

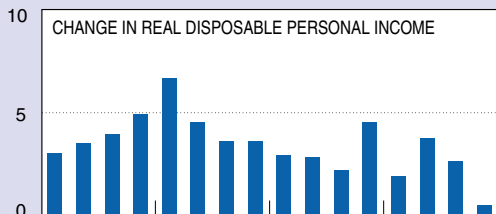
CHART 3

Selected Personal Income and Saving Measures

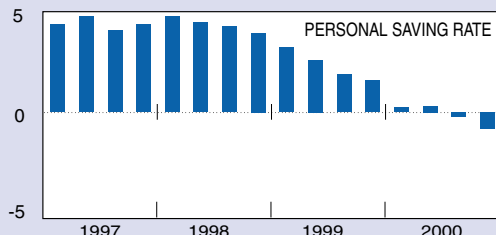
Billion \$



Percent



Percent



Note—Changes are from preceding quarter; based on seasonally adjusted annual rates.

U.S. Bureau of Economic Analysis

data are available (1999:IV–2000:III) averaged 60 percent more than in 1996.

Personal income increased \$80.8 billion in the fourth quarter after increasing \$106.9 billion in the third (table 5). The slowdown was accounted for by a downturn in farm proprietors' income that reflected the pattern of the subsidy payments—a \$14.3 billion decrease after a \$13.0 billion increase. Excluding these subsidies, farm proprietors' income increased \$0.6 billion after decreasing \$2.8 billion.

The subsidy payments also affected rental income of persons, which decreased \$1.2 billion after decreasing \$2.7 billion. Excluding subsidy payments to owners of leased farmland (nonoperator landlords), rental income increased \$1.9 billion after decreasing \$5.6 billion.

Wage and salary disbursements increased \$68.6 billion after increasing \$64.8 billion. Disbursements in private service industries and in distributive industries increased more than in the third quarter, but disbursements in private goods-producing industries slowed (reflecting a slowdown in disbursements in manufacturing), as did disbursements in government.

Personal tax and nontax payments increased \$35.0 billion after increasing \$30.9 billion. The step-up largely reflected the quarterly pattern of State and local income taxes.


The Year 2000

For the year 2000, the favorable news that real GDP posted its strongest increase in the current expansion (5.0 percent) was tempered by the sudden slowdown in economic growth in the third

and fourth quarters.⁶ Also tempering the optimism was a deceleration in real DPI (up 2.8 percent after an increase of 3.2 percent) and a step-up in inflation as the price index for gross domestic purchases increased 2.4 percent after increasing 1.6 percent.⁷

PCE increased 5.3 percent in 2000 and contributed 3.6 percentage points to the growth of real GDP; half of the PCE increase was in services. Nonresidential fixed investment increased 12.5 percent and contributed 1.6 percentage points to real GDP growth; equipment and software accounted for most of the increase.

The 2.8-percent increase in real DPI reflected a larger increase in current-dollar DPI than in the implicit deflator for PCE. The increase in current-dollar DPI was largely accounted for by wage and salary disbursements, which increased \$299.7 billion (or 6.7 percent). Personal tax and nontax payments increased \$139.9 billion. The personal saving rate decreased to -0.1 percent from 2.2 percent.

The 2.4-percent increase in the price index for gross domestic purchases mainly reflected increases in prices paid by consumers and by governments. About half of the step-up in gross domestic purchases prices from a 1.6-percent increase in 1999 was attributable to energy prices; excluding food and energy, the index increased 1.8 percent after increasing 1.4 percent. 

6. The current expansion began in the second quarter of 1991.

7. The 2000 increases are calculated from annual levels for 1999 and 2000. From fourth-quarter 1999 to fourth-quarter 2000, real GDP increased 3.5 percent, real DPI increased 2.2 percent, and the price index for gross domestic purchases increased 2.5 percent.